

Message Text

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61
ORIGIN EB-11

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DRAFTED BY EB/IFD/OIA:CNELLIS

8/30/73

APPROVED BY EB/IFD:SWEINTRAUB

AF/E:HRMELONE

EB/IFD/OIA:MKENNEDY

L/EB:DMUIR

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FM SECSTATE WASHDC

TO AMEMBASSY ADDIS ABABA

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E.O. 11652: N/A

TAGS: EFIN, ET

SUBJ: ALICO TAX PROBLEM

REF: ADDIS 9727

1. ALICO COUNSEL O'LEARY CALLED ON DEPUTY ASSISTANT
SECRETARY WEINTRAUB AND ETHIOPIAN DESK OFFICER AUGUST 28
TO DISCUSS TAX PROBLEM REPORTED REFTEL. SPECIFICALLY,
O'LEARY ASKED USG TO SUPPORT ALICO IN ATTEMPTING TO CON-
VINCE MINFIN MAMMO TO WAIVE TAX, WHICH HE ESTIMATED AT
APPROXIMATELY U.S. DOLS 120,000. O'LEARY SAID ALICO TAX
COUNSEL HAD ADVISED THEM IEG HAD NEVER PREVIOUSLY TAXED
TRANSACTIONS OF THIS TYPE. THUS, ALICO IN ESTABLISHING
VALUE OF PORTFOLIO TRANSFERRED TO ETALICO HAD NOT SOUGHT
TO MINIMIZE POTENTIAL TAX LIABILITY BUT HAD GONE OUT OF
ITS WAY TO ASSURE THAT ASSETS FULLY AND ACCURATELY
EVALUATED. COMPANY WAS CONCERNED, ACCORDING TO O'LEARY,
THAT PARTIAL FORCED DIVESTITURE COMBINED WITH TAXATION
OF SALES PROCEEDS AMOUNTED TO QUOTE CREEPING EXPROPRIATION
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UNQUOTE.

2. WEINTRAUB ASKED WHETHER OTHER FOREIGN-OWNED LIFE

INSURANCE OR GENERAL INSURANCE COMPANIES FACED WITH ETHIOPIANIZATION HAD BEEN PRESENTED WITH TAX BILLS FOLLOWING CONVERSION. O'LEARY REPLIED ONLY OTHER FOREIGN LIFE INCOME IN YEAR OF CONVERSION AND THUS RECEIVED NO TAX BILL. HE SAID HE WAS NOT FAMILIAR WITH SITUATION OF U.K. AND ITALIAN GENERAL INSURANCE COMPANIES. ANY INFORMATION EMBASSY CAN SUPPLY ON THIS POINT WOULD BE APPRECIATED.

3. WEINTRAUB TOLD O'LEARY USG WOULD SUPPORT ALICO REQUEST TO MAMMO FOR TAX EXEMPTION AS APPROPRIATE. MOST EFFECTIVE MEANS OF ACCOMPLISHING THIS--I.E. BY ACCOMPANYING O'LEARY TO MEETING WITH MAMMO AND/OR BY MAKING SEPARATE LOW-KEYED INTERVENTION BEFORE OR AFTER MEETING--LEFT TO EMBASSY'S DISCRETION. EMBASSY'S REPRESENTATION SHOULD STRESS QUESTION OF EQUITY OF TAXING PROCEEDS OF A TRANSACTION MADE FOR SOLE PURPOSE OF CONFORMING TO REQUIREMENTS OF ETHIOPIAN LAW. FYI: WHILE O'LEARY INDICATED SOME POSSIBLE FLEXIBILITY AS REGARDS TAX ON 30 PERCENT OF TRANSACTION NOT INTERNAL TO ALICO, THIS IS POTENTIAL BARGAINING POINT WHICH COMPANY AND NOT RPT NOT EMBASSY SHOULD RAISE. END FYI.

4. IN RESPONSE TO O'LEARY QUESTION, WEINTRAUB SAID IT PREMATURE TO SAY NOW WHAT FURTHER ACTION USG MIGHT TAKE SHOULD MAMMO UPHOLD ALICO TAX LIABILITY. ONE POSSIBILITY MENTIONED, HOWEVER, WAS FOR SENIOR USG OFFICIAL TO RAISE PROBLEM WITH MAMMO AT BANK/FUND MEETING IN NAIROBI IN LATE SEPTEMBER.

5. O'LEARY PLANNING TO RETURN ADDIS NEXT WEEK AND WILL CALL AT EMBASSY.

6. PLEASE REPORT DEVELOPMENTS.

DECONTROL 5 YEARS FROM DATE OF TELEGRAM. ROGERS

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